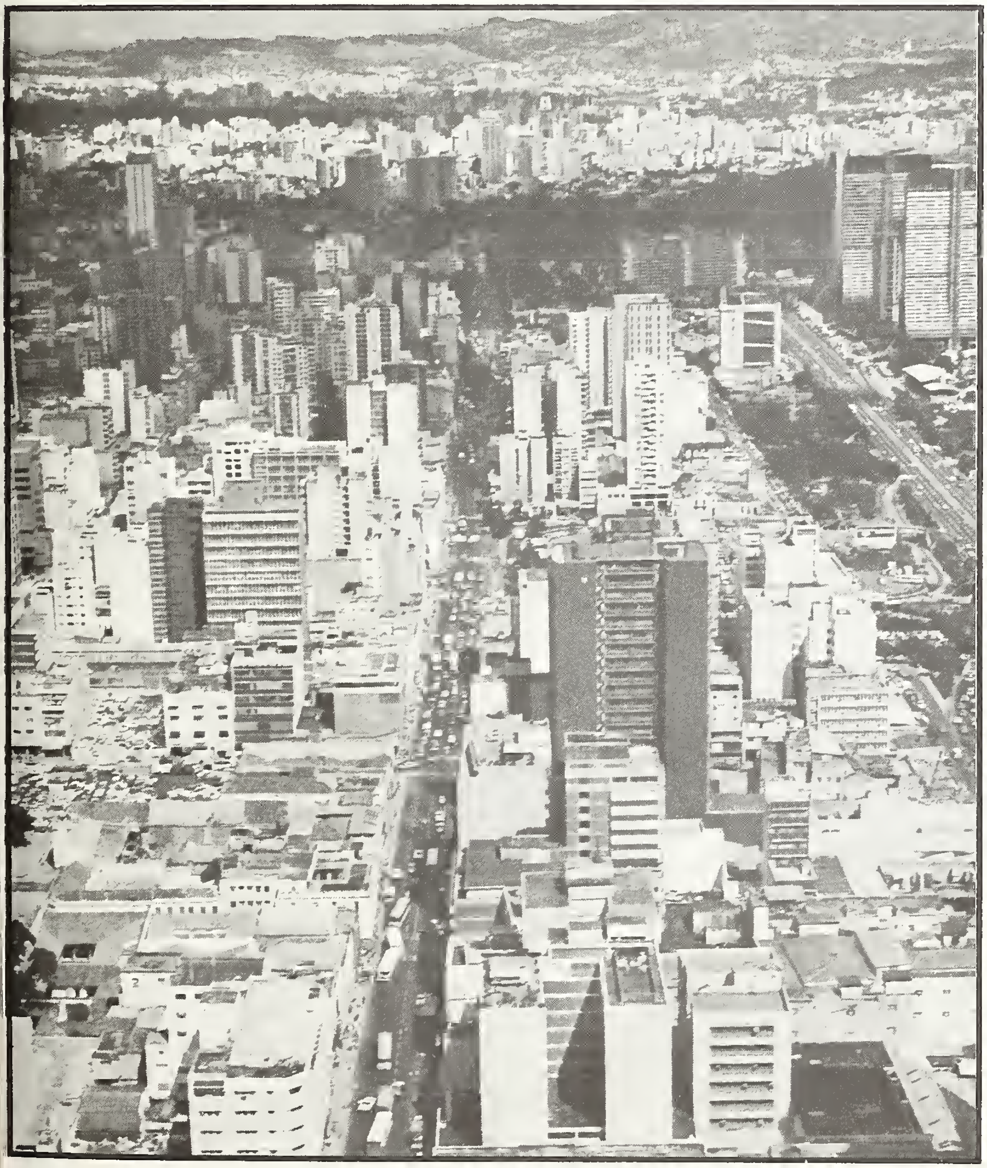
Foreign Agriculture

May 22, 1978

Foreign
Agricultural
Service
U. S. DEPARTMENT
OF AGRICULTURE



Caracas, where U.S. food firms will exhibit their products July 25-27.

Marketing Food Products In Venezuela—Tips For U.S. Exporters

By James E. Ross

A produce manager at one of Caracas' largest supermarkets stacks fruits and vegetables, many of which are imported from the United States.

Venezuela's economic muscle has developed significantly since world petroleum prices began rising in 1973—and so has the country's dependence on imported food.

During 1977, Venezuela's food imports were valued at more than $500 million, subtantially above the levels of previous years. Food imports from the United States alone were valued at about $280 million—more than half the total.

Largely as a result of higher foreign-exchange earnings from petroleum sales, the value of Venezuela's total imports has grown five times during the 1970's. The country is rich in such minerals as petroleum, iron ore, and bauxite. It has a stable, democratic form of government. Per capita income of its nearly 13 million people is the highest in Latin America.

Venezuela's favorable economic and political climate, coupled with a lack of corresponding growth in food production, thus suggests bright prospects for sales of new improved U.S. food products.

However, U.S. food exporters should proceed cautiously in attempting to enter the Venezuelan food market. A clear understanding of the country's food marketing system is of paramount importance.

About 80 percent of U.S. agricultural exports to Venezuela are food products, and the remaining 20 percent are mostly breeding cattle, soybean meal, and nonedible livestock products.

For the food exporter, first-hand observation of Venezuelan business practices and marketing arrangements is almost indispensable. A trip to Caracas also

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The author is U.S. Agricultura Attaché, Caracas.

provides an opportunity to contact prospective importers and import agents or brokers.

Selling food products in Venezuela almost always requires the use of an agent or broker. Careful consideration should be given to selection of an exporter's representative. An active and capable agent can make a substantial difference in the amount of sales realized.

Although use of an import agent or broker is the usual practice in Venezuela, some direct sales may be possible to larger purchasers, such as institutions, supermarket chains, and Government agencies.

The Agricultural Marketing Corporation (CMA) is the largest Government purchaser of food commodities. Its goal is balancing supply and demand of specified food products. In carrying out this goal in 1977, CMA acquired agricultural products valued at nearly $500 million.

Although CMA's specifically authorized function is to direct the marketing of black beans, corn, rice, peanuts, potatoes, sorghum, sunflowerseed, and sesameseed, in practice it also controls importation and marketing of other commodities such as meat, poultry, eggs, and powdered milk.

CMA offers foodstuffs at low retail prices to low-income groups through the Popular Food Supply program. Sales include a number of foods in the basic popular diet.

In carrying out the program, CMA utilizes supermarkets and stores throughout the country. Currently, CMA authorizes and guarantees maximum prices in more than 400 food outlets.

When any particular food is in short supply, CMA is authorized to counter the situation by direct importation and/or delegation of importation to third parties. For example, CMA may issue special import permits to processors or distributors of the controlled products.

Other channels of food distribution range from market vendors to ultramodern supermarkets.

Traditionally, Venezuelan

A First: USDA To Exhibit U.S. Foods in Venezuela

Caracas, one of the Western Hemisphere's most colorful cities, will be the scene in late July of the first USDA solo food exhibit in Venezuela. ***(Venezuela Up-to-Date photo)***

U.S. prepared foods will be shown in late July at the first USDA solo exhibit ever held in Venezuela to be followed by sales team visits to several nearby Caribbean Islands.

To be held at the Tamanaco Hotel in Caracas, July 25-27, the exhibit will be geared to the requirements of the economically strong Venezuelan market, which in 1977 imported consumer-ready foods totaling about $60.7 million. After this showing, a sales team will visit Margarita Island—the Venezuelan free port—and Curaçao and Aruba in the Netherlands Antilles, where sales opportunities appear most favorable.

Built around the general theme, "An Adventure in High-Quality Eating," the Caracas event will be the largest U.S. food show ever held in Latin America. It will encompass about 5,000 square feet and present the products of up to 50 U.S. exhibits and/or their agents. Thrust of the show will be to make Latin American tradesmen aware that the U.S. food industry is a reliable supplier of high-quality food products.

Past sales experience and market studies by the Office of the U.S. Agricultural Attaché and FAS personnel indicate that among the products selling best in the Venezuelan and Caribbean island markets are shell eggs; pork carcasses, shoulders, and hams; apples, pears, and grapes; beef; raisins and prunes; fruit juice concentrates; tomato puree; and walnuts and almonds. Also, selling strongly are canned corn, peas, and tomatoes; dairy products; poultry; wine; snack foods; dried peas, beans, and lentils; and dietetic and health foods.

All of these, as well as other consumer-ready foods, will likely be shown at the Latin American show by exporters already serving the Venezuelan market, as well as by a number of new-to-the market suppliers. Foods will be displayed in all size packages—for the retail and institutional market and for further processing and packaging firms.

In September, FAS will sponsor eight events in Europe and Asia, including sales team visits to the Pacific and a catalog show in Munich. □

consumers purchased their food in specialty stores, but today the supermarket is the main shopping area.

Venezuela has about 3,000 supermarkets, including six supermarket chains. The largest chain has 60 stores and the second largest about half that number.

Most of the larger markets follow the same practices and share the same problems in importing food products. Some supermarkets import directly but most rely on import brokers or agents.

The large supermarkets carry 7,000-9,000 items, of which about 60 percent are food products. Less selling space is provided for frozen foods than in U.S. supermarkets—the largest chain assigns only 2 percent of shelf space to frozen foods—but otherwise most stores are similar to those in the United States.

Supermarkets generally carry a full scope of food products, small kitchen utensils, paper, soap, toiletries, etc.

Promotion of national products is strongly encouraged by the Government—hence, most supermarkets purchase locally whenever possible. However, they are often forced to import because of inadequate domestic supplies.

The legal requirements for importation of all prepared and packaged foods are administered by the Ministry of Health and Social Assistance, while the Ministry of Agriculture and Livestock is responsible for registration of many raw foods such as vegetables, legumes, etc. In addition, requirements for importation of food products usually include an import license issued by the Ministry of Development.

Except in special cases determined by the Ministry of Health, foreign food products must be submitted for

registration prior to importation.

At the time of application, each product is subject to examination and analysis. Ministry inspectors may make spot checks at any time, and also may check weight and contents against the label at any time.

Ministry of Agriculture officials check each shipment of raw foodstuffs or fresh vegetables upon arrival, and are empowered to destroy suspect commodities.

All raw foods and many processed and semiprocessed food products require sanitary permits, issued in the Ministry of Agriculture, prior to importation.

The Customs Tariff—published by the Ministry of Finance—specifies, by commodity, whether or not such a permit is required, what import duties apply, and presents texts of current legal rulings related to importation.

Registration must be requested by a Venezuelan importer. Product and label samples must be supplied by the local importer. The information required includes chemical analysis and a complete listing of ingredients—including additives, colorants, and preservatives.

Although Venezuelan food laws generally are similar to U.S. food laws, there are some food additives authorized by the U.S. Food and Drug Administration that are not authorized in Venezuela.

Foods not registered in the country of origin may not be registered in Venezuela. To meet Venezuelan registration requirements, importers must complete an application form, affix to it a 1-bolivar Internal Revenue stamp, and file the completed application with the Ministry of Health.

The application must be accompanied by:

- Three samples of the product;
- Two copies or samples of the planned labels, stamps, or prints designed to inform the public;
- A certificate of sanitation from the country of origin, validated by the Venezuelan Consulate in the United States, indicating that the food is fit for human consumption;
- A letter from the manufacturer authorizing the applicant to apply for registration of the product;
- Any other information the Ministry of Health may consider necessary.

All documents prepared in the United States must be authenticated by the accredited Venezuelan Consular authorities in the United States. Such documents are valid for 6 months from date of authentication. If the documents are not in Spanish, they must be translated in Venezuela by an authorized public interpreter.

Applications and documents must be submitted by the Venezuelan importer. They will not be accepted if transmitted directly from the United States as Venezuelan law requires that a native-born or naturalized citizen of Venezuela must be responsible for legal requirements.

Upon approval by the Ministry of Health, the product is assigned a registration number. The local company requesting the registration is considered responsible for the product, its quality, full measure in the container, and any other legal requirements.

Registration fees range from the equivalent of $397.20 (4.28 bolivars=$1)

Far left: Typical of many Venezuelans, this consumer prefers U.S. canned vegetables over processed items produced domestically. Left: U.S. snack items are also popular in Caracas. Here, children decide which of many U.S. items they would like to purchase.

for each product, variety concentration, or presentation.

Fees are charged only once during the life of the registration, which is unlimited. Any change in the product's ingredients or trade name, however, requires a new registration and additional fees.

The initial registration application fee is the equivalent of $46.73. A modification of registration that does not constitute an important change in ingredients previously approved costs $23.36, and modification of the label because of change in the place of processing, trademark, etc., costs $11.68.

After the product has been approved and registered with the Ministry of Health, the next step is to obtain a license for importation—if one is required.

However, the official list of products for which import licenses are required—*Artículos que Requieran Licencia del Ministerio de Fomento y Permisos Especiales de Importación*—includes nearly all food products. The responsibility for determining whether or not an import license will be issued is vested in the Ministry of Development.

As in the case of registration, the local firm planning to import the food product must complete the import license application. The importer files the application with the Ministry of Development, listing the items to be imported. The application requires registration numbers, amount to be imported, weight, and overall description of each product.

The Ministry of Development first determines the need for importation. In the case of foodstuffs, this is accomplished by projecting consumption of the product in Venezuela and deducting that amount from the total expected national supply. The amount of projected consumption over projected supply is the amount the Ministry will authorize for importation.

Once it has been determined that there is a need for imports of the product, the process of obtaining a license begins. Each firm that imported the product during the previous year will receive an allocation approximately equal to the percentage of the total the firm held previously. After the import license is approved by the Ministry of Development, the importer may order shipment of the product.

Although there are some indications of a gradual increase in Venezuelan demand for processed foods (canned goods are the preferred form), fresh foods are preferred to processed foods.

Frozen foods have a limited market—some believe a limited potential market—as freezing capacity in many Venezuelan homes is limited or nonexistent. Electric power failures create problems, and prices of refrigerators with freezing capacity are relatively high.

However, there are indications that a greater frozen food market can be developed. Some frozen food products are being produced and sold in Venezuela. Also, some frozen foods are being imported. Juices, vegetables, and meats are the most common frozen foods now available.

Most convenience-type foods are utilized by hotels, restaurants, and institutions, but there is also a gradual acceptance of these foods in homes.

Housing in Venezuela's largest cities has become expensive, which encourages a shift from houses to apartments. Servants have become scarce and expensive, compared with other Latin American countries.

Also, an increasing number of Caracas wives work and have less time to prepare meals at home.

These factors indicate a place for convenience-type foods in Venezuela over the long run—frozen and dehydrated foods as well as other manufactured foods.

These indications are supported by the results of a computer-based study conducted recently by the Simon Bolivar University of Caracas.

The mathematical model, based on current policies, showed a large increase in quantities of imported food over the next 5 years. It estimated 1977 value of manufactured food imports at $154 million and forecast annual value for these imports at $500 million by 1981.

For imported animal and vegetable products, the projections rise from $78 million in 1977 to $451 million in 1983.

Assuming no major changes in Venezuelan import policy, short-run prospects for sales of U.S. foods in Venezuela are good. However, there are difficulties—port congestion, lack of refrigeration space, registration requirements, and extensive Government controls. Also, there is the expense of introducing the product into the market.

Nevertheless, Venezuela's population growth of over 3 percent and virtual assurance of significant increases in per capita income provide the basis of a favorable market outlook for the exporter willing to cope with these and other deterrents. □

Larger Coffee Supplies Pushing Prices Down

By William C. Bowser, Jr.

The sharp dropoff in green coffee prices during the past year does not realistically reflect current market conditions, according to representatives of many coffee-producing nations.

An annual assessment of total coffee supplies held by producing countries based on an aggregate of stocks at the beginning of the crop year would tend to support this position.

However, a closer look at available coffee supplies on a quarterly basis shows that there is more coffee in the world than the above procedure would indicate. It also points out more clearly why green coffee prices have declined sharply from their April 1977 peak.

Mr. Bowser is an agricultural economist, Sugar and Tropical Products Division, Foreign Commodity Analysis, FAS.

Examining coffee-stock levels by quarters also helps to explain why Brazil has lowered its official minimum export price to more realistic levels, why Colombia continues to promote coffee shipments despite lower prices, and why Robusta coffees again are selling at closer-to-normal differentials vis-a-vis higher priced Arabicas.

It also sheds some light on why the Central American Other Milds coffees producers chose to reinforce their joint position on April 10, continuing to suspend coffee exports until prices improved.

Looking at coffee stocks on a quarterly basis, the favorable level of coffee supplies as of April 1 makes it unlikely that a temporary export embargo will be effective for long in raising prices, especially now that Brazil's 1978 coffee harvest season is underway.

Taking stock of world supplies of a number of important commodities on an annual basis using differing crop years is a common method of accounting. For example, world coffee totals usually represent the sum of stocks in the individual coffee-producing countries at the start of each of their crop years—when stocks normally would be at or near the lowest annual level. It is easy to misconstrue such data as representing total world stocks levels at a fixed point in time.

On the contrary, world coffee stock on any given date during the coffee year are never as low as the sum of stocks held by individual producing countries at the beginning of their respective harvesting seasons.

A major reason for this is that about half the world's coffee, including that in Brazil, is harvested from April through September and most of the rest, including crops in Colombia and Central America, is harvested from October through March.

As a result, while stocks in some countries on October 1 approximate the lowest annual level, stocks in other countries—such as Brazil—are near peak accumulations for the year.

A more definitive measure of world coffee stocks, therefore, can be attained by analyzing supplies in producing countries on a quarterly basis—placing country productions in the months that the crop is actually harvested.

Using official export data and estimated domestic consumption levels, the end-of-quarter stock position results in a substantially higher level of stocks than that suggested by the more conventional method of accounting.

Tracing end-of-quarter stock positions from June 30, 1975, to March 31, 1978, illustrates this point. Quarterly computations show green coffee stocks in producing countries of the four major coffee types totaled:

- 46 million bags (60 kg each) on September 30, 1977;
- 47 million bags on September 30, 1976; and
- 62 million bags on

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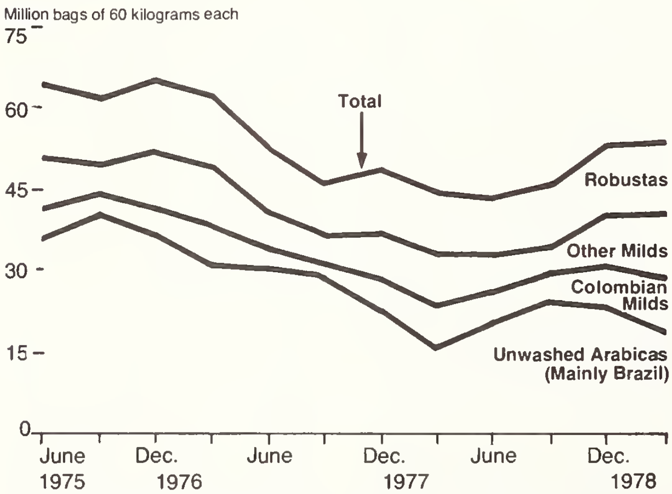
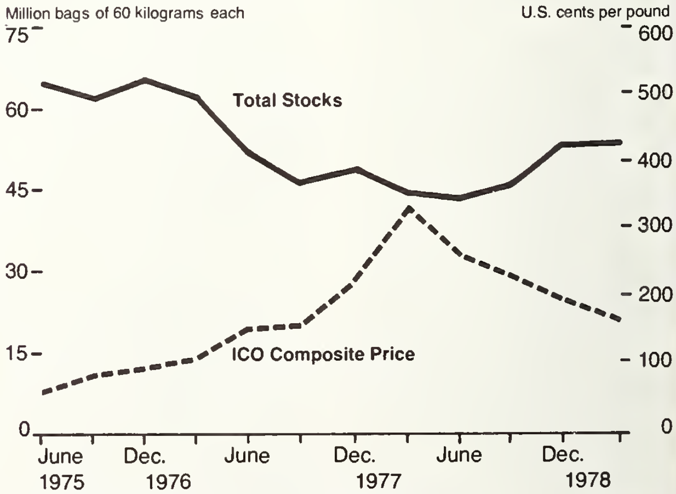
Green Coffee: Estimated Stocks in Producing Countries, by Major Types, End of Quarter, June 30, 1975-March 31, 1978



Green Coffee: Estimated Stocks in Producing Countries, and ICO Composite Price, Ex-Dock, New York, End of Quarter, June 30, 1975-March 31, 1978



Citrus Still "No. 1" In Israel—Despite Numerous Problems

One of the world's most successful citrus producers is tiny Israel, whose export-directed, quality-conscious citrus industry is a stiff U.S. competitor in the important markets of Western Europe.

Maintaining a strong position in export trade has not always been easy, however, as evidenced by recent past problems with competition—first in the European orange and citrus-product markets and then in the grapefruit market. These developments led to cutbacks in orange plantings, a glut of Israeli grapefruit for processing last season, and stepped-up market promotion of Israeli grapefruit.

And this season, hopes to export more as a result of the reduced deciduous fruit crops in Western Europe have been complicated by the few incidences of mercury found in some oranges sold in Europe during early February. At the same time, a strike paralyzed Israeli ships on which about half of the exported citrus usually moves.

In response to that scare, the Israeli Citrus Marketing Board suspended picking and shipping of citrus for 2 weeks, with work resumed February 23. One result of the delayed picking most likely will be higher than usual cull percentages, so that fruit used for processing could rise above early-season forecasts of 430,000 metric tons.

Still, fresh citrus exports through the first week of February 1978 were running 16.6 percent ahead of those in the same (October-February) period of 1977, reaching 444,000 metric tons. Export returns also were improved, with a weighted average of $4.42 f.o.b. per case of Shamouti, compared with $3.97 last season.

Moreover, Israeli is not a country to accept setbacks for long. Already, it has employed an aggressive market promotion campaign to attack the grapefruit marketing problems in Europe. And it is looking beyond Europe—by far the most important outlet for Israeli citrus—for new markets in the Middle and Far East.

In the meantime, Israel can be expected to concentrate on further modernization of an industry already noted for its efficiency and high-quality products.

These factors—plus advantages gained from Israel's location on the doorstep of Europe—have helped make Israel the world's leading citrus exporter after Spain and placed citrus in the No. 1 position among Israeli agricultural exports. In normal years, in fact, exports of citrus and citrus product account for about half of Israel's' total agricultural exports.

Production. Israeli production of fresh citrus has held about steady in recent years, with the 1976/77 crop totaling 1.49 million metric tons against 1.47 million the previous year; a similar showing is in prospect for 1977/78. Underlying this surface stability are divergent trends for the leading orange varieties (Shamouti, Valencia, and navels), grapefruit, and lemons.

As a producer of oranges, Israel ranks third in Mediterranean output next to Spain and Italy and fifth worldwide behind the United States, Brazil, Spain, and Italy. However, output has been declining in recent years and continued downward in 1976/77, dipping to 930,000 tons from 968,000 the year before.

This decline was attributed mainly to a 13 percent decrease in production of Shamouti oranges—to 561,000 tons—as a result of a frost at the critical flowering stage. But production also has been affected in recent years by urban encroachment on some citrus groves, and the Government's policy of using marginal citrus areas for other crops. The latter move reflects Israeli emphasis on producing crcps with better export possibilities so as to boost foreign exchange earnings at a time when israeli citrus faces strong competition in foreign markets.

Helping to offset the 1976/77 decline in Shamouti production was another advance in grapefruit output to a record 486,000 tons—up 8.5 percent from that of 1975/76. Weather generally favored grapefruit output last season, while long-term growth has been maintained as a result of young plantations coming into bearing and the practice of regrafting grapefruit onto trees of unproductive citrus varieties.

Israel is the No. 1 Mediterranean grapefruit producer/exporter and the second largest worldwide behind the United States, exporting mainly to European markets.

Lemon production in Israel is limited, totaling 34,150 tons in 1976/77 compared with 31,418 the year before. Still, Israel is the sixth leading Mediterranean lemon producer and about the 10th largest worldwide.

About 30 percent of Israel's citrus production goes into processing citrus products, output of which rose during 1976/77 for the first time in 3 years as increased quantities of grapefruit were diverted to this market. That year, some 468,000 tons of citrus were processed, compared with 452,000 in 1975/76. The Government subsidy on fruit for processing ended with the 1976/77 season, but the Ministry of Industry set a new minimum price for the 1977/78 season of I£600 per metric ton.

Last season's setback in production of Shamouti oranges, however, reduced supplies of oranges for processing, so that in both calendar 1976 and 1977 Israel had to import concentrated orange juice from the United States and Brazil for blending with domestic juice.

Exports: Largely as a result of reduced orange exports, total Israeli citrus exports in 1976/77 declined about 5 percent from those in 1975/76 to 933,392 tons. Nearly 600,000 tons of the total went to EC markets, with West Germany alone taking 203,000 tons, and the United Kingdom, 193,000. Largest markets outside of the EC were Scandinavian countries (130,000 tons) and Eastern Europe (110,000).

The country also made headway in developing new markets in Iran and Japan, where it hopes to make further strong gains in coming years. Grapefruit shipments

Based on information supplied by Foreign Commodity Analysis, Fruit and Vegetable Division, FAS, and the Office of the U.S. Agricultural Attaché, Tel Aviv.

to Japan in 1976/77 rose by almost 50 percent from the 1975/76 level to 10,000 tons. And citrus shipments to Iran, largely of oranges, climbed to 36,200 tons from 19,000 in 1975/76.

Israeli exports of oranges last season declined by 10 percent from those of 1975/76 to 651,000 tons as a result of the Shamouti shortfall. Total exports of Shamoutis were 390,000 tons, against 457,000 in 1975/76, while those of Valencias were 237,000 tons, compared with 214,000.

Like the United States, Israel is facing heightened competition in the European Community orange and orange juice markets, even though it now enjoys an 80 percent reduction in EC import duties on fresh oranges. During the winter marketing period (Oct. 15-March 31), this EC duty is 20 percent.

Israel's competition for oranges in the EC comes largely from Italy, Spain, and Morocco.

As an EC member, Italy benefits from a plethora of industry subsidies, as well as duty-free entry into other EC markets, which in some cases may offset the better quality and market appeal of Israeli and Spanish citrus.

Spain's citrus industry has been strongly price competitive in the EC because of the country's close proximity to EC markets and the relatively low cost of its fruit, while Spain also pays only 40 percent of the EC duty.

Morocco, on the other hand, enjoys an 80 percent duty reduction in the EC and has begun a program of producing only highly marketable citrus for the EC and other European markets.

Until recently, Israel had viewed grapefruit as being a more lucrative export crop than oranges, and consecutive record crops have steadily pushed up the country's exportable supply of grapefruit. Despite this production expansion, Israeli grapefruit exports last year only about equaled their 1974/75 level of 260,000 tons, as the country encountered marketing problems in Europe.

These problems have been attributed in part to the strong competitive position now enjoyed in Europe by U.S. grapefruit, exports of which totaled 68,000 tons in 1976/77. Although Israeli grapefruit is lower in price than the U.S. product, American exporters have successfully sold pink grapefruit.

Israeli Citrus Shipments, 1975/76 and 1976/77

[In metric tons]

Destination	Oranges: Navels	Oranges: Shamouti	Oranges: Valencia	Grapefruit	Lemons	Other	Total
1975/76							
European Community:							
U.K.	6,130	109,325	32,704	54,140	1,301	526	204,626
W. Germany	—	106,432	37,534	70,999	1,100	488	216,556
Netherlands	—	17,393	12,220	9,526	193	—	39,337
Belgium	—	8,882	6,603	7,653	680	—	23,823
France	2,057	13,900	29,263	42,712	1,364	68	89,364
Italy	—	—	—	25,601	—	—	25,601
Denmark	1,936	11,273	2,415	2,172	638	—	18,437
Total EC	10,123	267,213	120,747	212,863	5,776	1,082	617,744
Norway	2,698	19,038	6,981	1,558	647	—	30,922
Sweden	4,870	34,185	9,114	5,532	1,775	126	55,602
Finland	1,252	35,241	10,126	5,336	1,128	121	53,204
Austria	—	17,500	3,061	4,087	164	56	24,868
Switzerland	—	15,641	14,086	11,687	1,127	432	42,973
Eastern Europe	5,731	47,952	40,037	11,344	8,895	—	113,959
Malta	119	1,598	819	64	—	—	2,600
Japan	—	—	—	6,716	—	—	6,716
Other Far East	—	3,228	3,788	161	30	—	7,207
Iceland	208	328	98	15	32	—	681
Canada	—	2,515	—	19	—	—	2,534
United States	—	210	113	—	—	—	323
Iran	2,101	12,157	4,416	—	350	—	19,024
Ethiopia	—	174	221	13	—	—	408
South Africa	—	—	—	221	—	—	221
Other	8	251	8	221	—	—	488
Grand total	27,110	457,231	213,615	239,777	19,924	1,817	979,474
1976/77							
European Community:							
U.K.	3,806	95,887	40,193	49,218	1,476	2,545	193,125
W. Germany	—	86,463	39,905	75,226	738	1,131	203,463
Netherlands	—	14,714	14,658	9,663	115	117	39,267
Belgium	—	7,503	9,744	10,528	246	—	28,021
France	22	9,551	27,531	44,424	722	689	82,939
Italy	—	—	—	21,582	—	—	21,582
Denmark	1,826	8,465	1,806	1,560	722	21	14,400
Total EC	5,654	222,583	133,837	212,201	4,019	4,503	582,797
Norway	2,816	16,532	6,594	1,673	590	42	28,247
Sweden	4,854	33,628	7,392	4,794	1,427	212	52,307
Finland	1,694	36,282	11,844	6,129	1,164	318	57,431
Austria	—	12,519	4,200	4,124	377	106	21,326
Switzerland	—	13,355	6,804	9,804	1,033	668	31,664
Eastern Europe	4,180	38,623	49,542	7,294	10,153	170	109,962
Malta	418	397	903	75	—	—	1,793
Japan	—	—	—	9,644	—	—	9,644
Other Far East	—	4,013	5,586	132	82	—	9,813
Iceland	198	355	336	19	—	—	908
Canada	—	—	—	—	—	—	—
United States	44	314	63	—	—	—	421
Iran	4,422	10,429	10,311	677	361	—	26,200
Ethiopia	—	42	63	—	—	—	105
South Africa	—	—	—	244	—	—	244
Other	—	481	—	—	49	—	530
Grand total	24,280	389,553	237,475	256,810	19,255	6,019	933,392

Source: Citrus Marketing Board.

Moreover, in Europe this grapefruit is marketed at about the same time as U.S. grapefruit—September-July—and sold largely in the same outlets. Israel's leading grapefruit markets in 1976/77 were West Germany, the United Kingdom, and France, respectively, while the top destinations of the United States were the Netherlands, France, and West Germany.

Israel can be expected to fight the market image of U.S. pink grapefruit—over the short term by capitalizing on its comparative advantage in transportation costs and prices and over the long term by introducing pink varieties of its own.

Israel also is looking beyond Europe to markets such as Japan, which heretofore has been dominated by U.S. grapefruit. In the last four seasons, for instance, U.S. shipments to Japan have ranged from 133,000 to 155,000 tons and accounted for over 95 percent of the market. Israel's shipment of 10,000 tons there in 1976/77 represents the strongest performance by a competitor since Japan's quota on grapefruit was eliminated in 1971.

Israeli lemon exports in 1976/77 totaled just under 20,000 tons, compared with about the same level in 1975/76 and 21,600 in 1970/71.

Far the largest outlet is Eastern Europe, taking more than half last year's total, followed at a distance by the United Kingdom, Sweden, Finland, and Switzerland.

One offshoot of the stagnation in Israeli fresh grapefruit exports has been a rise in shipments of grapefruit products. Shipments of grapefruit segments in calendar 1976, for instance, doubled their 1975 level to reach 22,200 tons, but prices for these exports fell 23 percent. □

Israel's Citrus Industry: A Highly Effective Government-Grower Effort

By Roy E. McDonald and Ben M. Hillebrand

Assiduous attention to fruit quality, packing, storage, and transportation—together with aggressive market promotion—have helped Israel gain ascendance in world citrus production and trade. To achieve these results, Israel employs a unique Government-producer system of cooperation that focuses primarily on the foreign market—outlet for nearly two-thirds of Israel's fresh citrus and 90 percent of its citrus products—and maintains firm control over export fruit from grove to foreign buyer.

Marketing board. At the center of this system is the Citrus Marketing Board of Israel (CMBI), which handles all local and foreign sales of citrus. More specifically, the CMBI has exclusive control over sales, contracting for sea and land transportation, organization of the transport, supervision of sales, and advertising. The CMBI also advises farmers on method of cultivation, pest and disease control, and supervision of picking and packing.

This link between CMBI and the growers is provided by contractors, most of whom are growers' cooperatives. The contractors collect the fruit from the growers, pack it in some 60 packinghouses, and deliver it to the CMBI in accordance with CMBI's shipping schedules.

Harvesting is done by growers, with the large growers using their own harvesters and small ones employing picking organizations. The packinghouses do not provide crews for harvesting.

Since the CMBI is export-oriented, a grower obtains about four to six times the money for export quality, compared with fruit sold domestically. Profits, or the growers' payments, are funneled down from the CMBI through the contractors to the growers.

As in any vertically integrated system, there are positive and negative features of this system. One positive point is that any new process or idea believed worthwhile can be put into effect immediately.

For instance, Israel has a problem with Brown Rot. However, this disease can be controlled by use of preharvest copper sprays, and individual growers must use copper sprays if their fruit is to be accepted by the CMBI.

Disease problems that the industry must cope with include Penicillium during October-January and March-May, Brown Rot during January-March, and Alternaria and Sour Rot during March-May.

As in the case of the United States and other citrus-producing countries, industry officials have found that about half of the success in controlling infection is achieved through use of proper harvesting and handling procedures prior to putting fruit in packinghouses.

At the production level, improvements are made mainly in irrigation techniques, which include flood, drip, permanent, and portable sprinklers. More and more aluminum pipes are being replaced by small-diameter plastic piping. And in most new installations of sprinkler and drip irrigation, meters have been installed to control water use—critical in this country where water is in short supply.

Packinghouses and product packing. CMBI quality control includes testing the performance of packinghouses and equipment by checking fruit weight loss under a system that can detect such problems as too much brushing and differences in waxes.

A typical test might involve weighing fruit before the line, at the dip tank, before waxing, after waxing, and at the end of the line. Sound fruit run through a properly operating line is said to lose about 5-7 milligrams per square centimeter every 24 hours. Under the same packinghouse conditions, oranges will lose a little more weight than grapefruit.

At the present time, Israeli citrus is waxed with water wax, and no solvent waxing is used. The water waxes contain 17-18 percent solids. In addition, experiments are being conducted whereby the fruit is waxed twice with 7-8 percent solids at each stage; this process

Dr. McDonald is a research horticulturist and Mr. Hillebrand, a food technologist, Science and Education Administration, European Marketing Research Center, Rotterdam. This is the third in a series examining practices and procedures from harvest to export marketing in citrus industries of some of the major producers.

Clockwise from top: One means by which bins are transported out of Israeli citrus groves; stowage of wirebound wooden crates in a ship's hold at the port of Haifa; and scene in an Israeli packinghouse—mechanical packing of bins on left and mechanical packing of cartons on right.

has been compared with painting a wall a second time to get better coverage.

One of the major problems in Israeli packinghouses today is labor, and most now operate only one 8-hour shift because of labor shortages. As a result, the packinghouses are moving toward use of mechanical packing and bulk bins, with about 20-25 percent of the fruit expected to be packed in bulk bins in the near future.

Besides effective savings in manpower, bulk bins have advantages in the marketplace. For instance, fruit can be sold directly out of the bin; there is less deformed and misshapen fruit; and bins can be reused for storage and movement of other fruits and vegetables.

During 1975/76, Israel shipped 20,000 bulk bins to Europe, and 100,000 were believed shipped in 1976/77. The bulk bin is 52 centimeters high, with a base measuring 100 by 120 centimeters. Bins are stacked three high, and each contains the equivalent of 16 cartons (20 kg per carton).

Currently, the Israelis are not saving money by using bulk bins, in part because fruit has to be repacked into cartons for receivers who cannot handle the bins to the fruit's final destinations.

Ventilation is in the top and bottom of the bin only, but there appears to be good temperature uniformity throughout.

Work also is being done on palletization and unitization because of growing labor problems. The present Israeli cartons fit the 112-by-112-centimeter pallet and are stacked eight high, making a total height of 2.2 meters. This causes a problem because the height of European truck doors is 2.0 meters. Nonetheless, 2 million cartons—or about 4 percent of total exports—were shipped on pallets in 1975.

Mechanical packing of oranges also has been on the increase during the past 8 years, with labor reductions again the main purpose. One problem with mechanical packing is that only three or four sizes out of the eight orange sizes now being packed are adaptable because of the limitation on the trays employed in the operation. Another problem is that in Israel interest charged on investment in equipment is 25 percent.

The cost of packaging materials, in whatever form, is roughly equal to one-third of the f.o.b. fruit price, or slightly more than what U.S. shippers pay.

Cold storage. Increased use of cold storage facilities is allowing Israel to extend its citrus marketing season into the summer months, when competition in European markets is greatly diminished. During 1976/77, 400,000 cartons of citrus were stored for 3 months or more in cold storage facilities rented by the CMBI. The rental contract specified the following parameters: Temperature, $10.5 \pm 0.5°$ C; relative humidity, 88-90 percent; carbon dioxide, less than 0.2 percent; ethylene, less than 0.2 parts per million; air exchange, at least one and not more than two

times per hour.

The main storage disease is Brown Rot, with Sour Rot second in importance.

Stored fruit is inspected every 28 days by a statistical sampling method. Every week, ethylene concentration is checked, and every 2 weeks the carbon dioxide level is checked. If a high carbon dioxide level persists, there is a risk of developing an "overripe" color (slightly brown or darker yellow).

Only fruit harvested between February 15 and March 31 is placed in storage because of better quality and "tougher" peels that result. The fruit is placed in the storage rooms on pallets, six cartons high, and strapped with plastic. Particular attention is paid to pallet spacing to ensure good air circulation. Fruit from at least two packinghouses is placed in the same cold chamber because this combination will make it easy to trace problems that arise—either to the storage room or the fruit itself.

Port facilities. At the port of Ashdod, citrus storage facilities include a 90,000-carton-capacity precooling and cold storage plant. Grapefruit is brought here at 17-18°C and cooled to 10-12°C, with oranges cooled to 2-3°C. The cooling operation takes 48-60 hours.

This facility can be completely loaded in 16 hours and unloaded in 24, utilizing metal frames to hold the citrus pallets. The metal frames are loaded at the packinghouses and hold eight pallets each. On return to the precooling plant, the frames are moved by crane from the trucks to the plant.

When the fruit is transferred from the precooling plant to ships, there is only about a 1°C increase in temperature of fruit in outside cartons, with no temperature rise in the interior cartons. This small increase in temperature is due to the harbor's close proximity to the precooling plant.

Currently, about 75 percent of Israeli citrus is shipped in nonrefrigerated vessels, although the use of refrigerated ships is on the rise. When precooled fruit is shipped in a nonrefrigerated ship, the hold is not ventilated for the first 5 days, thus maintaining a low pulp temperature. An advantage of shipping precooled fruit is that this fruit can be stowed more densely than is normally done.

The fumigation facilities at Ashdod are used for fruit destined for Japan. There are four chambers, each with a 6,500-carton capacity. Fumigation is performed with an air temperature of 17°C using 13.5 grams of ethylene dibromide per cubic meter. After fumigation, the fruit is precooled.

At the port of Haifa, as well as Ashdod, all citrus for export must be inspected. This involves removing two cartons out of each carload (500 cartons) and checking for the following:

- **Carton.** Proper closure, accuracy of label of fruit size and fungicide treatment, as well as waste of wrapping paper.
- **Fruit.** Absence or surplus of wax, fruit quality, sizing accuracy, count accuracy, and the adequacy of stamping.

Information from the inspection is fed into a computer that compiles the data. From the computer printout, a picture of the overall quality of the pack is obtained. Then, at 2-week intervals a printout by individual packinghouses is used to ascertain if a packinghouse meets the established standards in each category. The CMBI fines packinghouses that fall below established standards and pays a premium to those packinghouses that exceed the standards. □

Continued from page 6

Larger Coffee Supplies . . .

September 30, 1975.

These figures are 15-20 million bags higher than the corresponding annual aggregate of gross opening stocks by individual country crop years.

Furthermore, the relatively low level of coffee exports during October 1977-March 1978—the same period when much of the world annual coffee output is harvested (including most of the Other Milds production)—raised producer-held stocks to roughly 54 million bags as of March 31, 1978. This amount represents approximately 1 year's supply for the world import market at current demand levels.

Quarterly stock positions for the same period also serve to illustrate better the price movement for green coffee during the past 2 years and, in particular, the decline in green coffee prices since April 1977.

During April-June 1977, there was very little drawdown in producer stocks owing in part to a fall off of almost 5 million bags in exports from the high level of shipments reached in the preceding 3 months (when importers were building up inventories against a rising price trend).

In the 3-month period of July-September 1977, stocks rose more than 2 million bags, owing primarily to the sharp decline in exports from Brazil and a significant buildup in Brazilian coffee supplies. With a continued low level of Brazilian coffee exports and with coffee crops in many countries already well into the 1977/78 harvesting season, stocks held by producers rose 7.5 million bags during the last quarter of 1977—reaching an estimated 53 million bags on December 31, 1977.

For these reasons, and because of the improved supply outlook for 1977/78, green coffee prices (International Coffee Organization composite [1]) for the 12-month period of March 31, 1977-March 31, 1978, dropped almost as precipitously as they had risen during the preceding 12-month period.

On March 31, 1977, the composite green coffee price was $3.32 per pound, falling to $2.29 per pound by September 30, 1977, and plunging even further to $1.68 per pound on March 31, 1978. This latter price was about half the price of a year earlier.

There is little doubt that the turnaround in the supply outlook beginning in April 1977 and the sharp drop in green coffee prices (reflecting to a large degree the drop in import demand as world consumption declined) were the key factors that brought Brazil and other producers back into the market.

The decision by the Other Milds coffee producers to suspend exports earlier this year was likely a recognition of this situation, and a somewhat desperate attempt to halt the decline in coffee prices in view of increased world supplies.

Although the current supply outlook is favorable and should remain so throughout 1978, the ever-present threat of a damaging frost in Brazil this year (which would affect Brazil's 1979 production), as well as other supply uncertainties, undoubtedly will continue to cause fluctuations in coffee prices. However, the overall trend should be downward. □

[1] Composite price of four major coffee growths—Colombian Mild Arabicas, Other Mild Arabicas, Unwashed Arabicas (Brazilian), and Robustas.

Taiwan's Purchases Of U.S. Farm Products Higher in 1977

Taiwan's imports of U.S. farm products—at $545 million—were 24 percent higher in value in 1977 than in 1976. Most of the increase came from larger purchases of U.S. cotton, soybeans, and corn. Other U.S. commodities that marked up gains were tobacco, tallow, and hides and skins. Purchases of U.S. wheat were off.

Taiwan's imports of U.S. farm products rose by nearly a quarter between 1976 and 1977 and are expected to rise again in 1978.

According to Taiwanese data for the first 11 months of 1977, Taiwan's imports of agricultural products from the United States are estimated at US$545 million, a rise of 24 percent from the corresponding period a year earlier. Most of this increase was accounted for by larger purchases of U.S. cotton (up $46 million), soybeans ($36 million higher), and corn ($27 million more).

Other major U.S. commodities that racked up gains in the January-November 1977 period included tobacco, tallow, and hides and skins. However, Taiwanese imports of U.S. wheat during the 11-month period were off $22 million from those of a year earlier.

Although no dollar estimate is available for Taiwanese imports of U.S. farm products in 1978, a number of commodities are expected to be imported in larger volume. These include U.S. cotton, corn, wheat, soybeans, and tallow.

Taiwan is an important customer for U.S. industrial and farm products, but it ships more to this country than it buys from it. As a result, Taiwan has a favorable balance of trade with the United States and, despite its efforts to reduce to gap, it is expected to widen further in 1978.

Unofficial estimates indicate that Taiwan's exports to the United States—largely nonagricultural—will exceed imports from the United States by US$1.2-US$1.5 billion.

In addition to its exports to the United States of consumer products such as televisions, radios, clocks, and textile products, Taiwan will export large volumes of agricultural products, including sizable shipments of canned mushrooms, asparagus, and pineapple.

Partly because of its exports, the growth of the Taiwanese economy is expected to be slightly better in 1978 than in 1977, but growth of the agricultural sector is reported to be retarded by cuts in production of several crops.

In 1978, the growth rate is expected to be 8.8 percent and the gross national product up 9 percent to NT$811.3 billion. However, growth in the agricultural sector is projected at just 1.7 percent in 1978, contrasting with the 3 percent probably achieved in 1977 (the target figure was 2.4 percent last year).

Agricultural growth in 1977 was achieved despite unfavorable weather, which included drought in the spring, heavy rains in early summer, and two typhoons during July. A 10.4 percent increase in livestock production was the main factor contributing to this growth. Behind the reduced agricultural production target for 1978 is a planned drop of about 5 percent in brown rice production, and larger percentage cuts in sugar and tobacco.

Production. Rice production in 1977 (Brown Basis) is preliminary estimated at 2.63 million metric tons, slightly below the 2.7 million tons of a year earlier, but 136,000 tons more than the 2.5 million tons targeted for 1978. Taiwanese farmers were fortunate that the typhoons hit just after the harvest of 1977's first rice crop and before the second crop was planted, thus the storms had little effect on the 1977 rice crop total.

Crops that registered impressive production gains in 1977 were sugar (up 27 percent to 1.07 million tons) and mushrooms (up 67 percent to 86,840 tons). Crops showing decreases in 1977 were: Sweet potatoes (–8 percent to 1.7 million tons), asparagus (–8 percent to 86,680 tons), and peanuts (–12 percent to 79,000 tons). With the exception of sugar, production of which is targeted to fall to 700,000 tons, output of these other crops is targeted to increase in 1978: Mushrooms to 102,000 tons; sweet potatoes to 2.4 million; asparagus to 106,000; peanuts to 88,000. To avoid an oversupply of rice, the Government is encouraging diversion of rice area to corn. Production of corn in 1978, as a result, is projected to nearly double to 28,000 tons.

Hog slaughter in 1977 is preliminarily reported at 6.14 million head, 10 percent higher than the 1976 figure, but 1978 slaughter is expected to drop slightly by about 40,000 head. Pork outturn in 1977 was 571,000 tons, carcass weight equivalent (CWE), and contrasts with 522,000 tons produced in 1976.

Cattle slaughter increased by 32 percent between 1976 and 1977 to 81,000 head, reflecting the continuing unprofitability of the industry. The projection for 1978 is that the country's cattle slaughter will drop to 49,000 head from 81,000 head slaughtered in 1977. Beef outturn in 1978 will show a similar drop. In 1977, beef output was 14,000 tons.

To protect and aid domestic cattle raisers, the Government last July raised the duty on imported beef from 20 percent to 30 percent and imposed a surcharge of NT$9.50 per pound of imported beef, effectively reducing the influx of low-price beef that had started in 1975 and reached crisis proportions by the end of 1976.

Exports. Taiwan's exports of agricultural products have increased steadily over the years and in 1976 their value reached the US$1-billion level, double the US$499 million of 1971. Farm exports in 1977 are preliminarily estimated at US$1,169 million; for 1978 they are forecast at US$1,250 million. About half of Taiwan's farm product exports are shipped to Japan. In addition to the United States, other major markets are Europe and the Middle East.

Sugar remained the leading export item in 1977, but receipts were down more than NT$1.2 billion. Other leading export items which suffered losses in earnings

Based on report from Frank L. Waddle, U.S. Agricultural Attaché, Taipei.

in the 1977 period included asparagus, canned pineapple, and pork—together representing a drop of NT$1.4 billion.

Earnings from exports of major farm commodities in the January-October 1977 period, in millions of U.S. dollars, were: Sugar, 114.1; canned mushrooms, 99.5; bananas, 26; canned asparagus, 58.3; canned pineapple, 9.8; tea, 20.2; citrus fruits, 5.6; frozen pork, 44.6; fresh vegetables, 17.1; and fresh pineapple, 5.5.

The outlook for exports of Taiwan's principal agricultural products in 1978:

- **Sugar.** Export volumes seen at 644,700 tons—the same as in 1977; value, about US$150 million.
- **Frozen pork.** Expected to decline to only 10,000 tons.
- **Tea.** To equal the 1977 shipments of 21,000 tons with a record value of some US$25 million.
- **Eels.** About 11,000 tons, a 5,000-top drop from the 1977 level.
- **Canned mushrooms.** Unless major importing countries impose quotas, exports may exceed 4 million cases, a further gain over the record 3.88 million cases of 1977, valued in 1977 at US$112 million.
- **Canned asparagus.** Estimated at only 2.8 million cases, down from 3.9 million cases a year earlier.
- **Canned pineapple.** The target of 1.35 million cases probably will not be met.
- **Bananas.** Damage caused by the 1977 typhoons probably will keep the 1978 crop below the 1977 level of 127,500 tons, worth some US$26 million.

Imports. With the exception of feedgrains, the volume of Taiwan's imports of all bulk commodities, which account for a high percentage of that country's agricultural imports, was smaller during the first 10 months of 1977 than in the same previous year.

Total soybean imports were down 92,000 tons to 545,000 tons, wheat imports down 51,000 tons to 454,000 tons, and cotton imports down 73,000 bales to 703,000. Running contrary to the trend, feedgrain imports during the period were about 163,000 tons higher than the previous year's 1.99 million tons.

On a value basis, all bulk agricultural imports during the 10 month period—except wheat—were higher than in the previous year's period. Cotton led in value, with January-October arrivals estimated at NT$9.1 billion, an increase of NT$1.4 million over those in the same months of 1976. Other bulk commodity imports that increased in value during 1977 included feedgrains, soybeans, and tobacco.

Soybean imports are expected to total 750,000 tons in 1978 and corn exports 2.4 million tons. The United States is expected to account for all of Taiwan's soybean imports and about 50 percent of its corn imports.

Cotton imports are forecast at 850,000-900,000 bales, with about 50 percent coming from the United States. Wheat and corn imports are forecast at some 650,000 tons and 2.4 million tons, respectively, with most of it of U.S. origin.

According to trade reports, Taiwan will buy citrus fruits and juices worth $2.2 million from the United States during 1978. The tentative schedule of purchase is:

From Florida, 20,000 cases of oranges, 5,000 cases of grapefruit, and $1 million worth of orange juice.

From Arizona, 20,000 cases of oranges, 5,000 cases of grapefruit, and $500,000 worth of grapefruit juice. □

Top: Taiwanese mixed feed plant. One of the major U.S. commodities imported by Taiwan in 1977 was corn, much of it used in mixed feed. Above: A fruit and vegetable stand in a Taipei pedestrian tunnel. Among Taiwan's most important exports last year were many of the fruits and vegetables shown here.

U.S. Farm Exports—Questions and Answers

PART III

This is the third in a series of questions and answers on the competitiveness of U.S. agricultural exports in world markets. These questions and answers were entered into the record of the February 23, 1978, hearing of the Subcommittee on International Finance of the Senate Committee on Banking, Housing, and Urban Affairs.

Q Are there industries and agricultural sectors in our economy where declining export competitiveness is likely to result in job losses?

A TOTAL AGRICULTURAL EXPORTS. Based on an input-output analysis, a USDA study indicates that—for the $22 billion of agricultural exports in 1974—about $43 billion of total business activity occurred. Thus, each dollar of agricultural exports stimulated an additional 96 cents of output in the U.S. economy—a multiplier effect of almost 2.

The additional $21 billion is made up of $6 billion in the farm sector and $15 billion in the nonfarm sector. The latter includes $2 billion in trade and transportation and $6 billion from other services. Thus, about 70 percent of the additional economic activity occurred in the nonfarm sector of the economy.

With regard to employment, an estimated 1.2 million full-time civilian jobs were related to U.S. agricultural exports. Of this, around a half-million U.S. farmworkers—14 percent of the U.S. farm labor force—were required to produce 1974's agricultural exports.

In addition, more than 650,000 nonfarm jobs were directly or indirectly related to the assembling, processing, and distribution of agricultural products for export. Around 50,000 of these jobs were in food processing; 300,000 in trade and transportation; 100,000 in other manufacturing sectors; and 200,000 in other service. Consequently, in 1974 about 4 percent of the work force producing food and kindred products—and just under 1 percent of the non-agricultural civilian labor force—was likely engaged in providing goods and services for agricultural exports.

Thus, any reductions in farm exports would mean some losses in jobs. And we do face a challenge with regard to soybeans. U.S. economists have estimated what would happen if soybean exports were to decline. Also, a loss of tobacco exports would present some particular hardships.

OILSEEDS AND PRODUCTS. It is estimated that for every 100-million-bushel decline in U.S. soybean exports, 23,700 jobs would disappear. Out of these, 13,500 are in the farm sector and 10,200 in the nonfarm sector. In addition, for every $1 million (1967 dollar) decline in vegetable oil and meal exports, the U.S. economy loses 96 jobs. Because of higher current export prices compared with 1967, that number is now probably lower—perhaps 60-70 jobs per $1 million decline in vegetable oil and meal exports.

TOBACCO. Production and processing of tobacco is relatively labor intensive, and the labor employed generally is low-skilled.

The present tobacco support programs would prevent prices to producers from falling if exports were reduced. However, a buildup in stocks under Government loans would occur if there were a loss of exports. This inevitably would lead to cutbacks in production quotas for U.S. tobacco farmers.

Such reductions would sharply and adversely affect the largest, most capital-intensive production units. Although these units are comparatively well mechanized, they still employ relatively large numbers of workers.

Smaller production units, which rely mostly on family labor, would likely continue to produce but at a reduced level of income.

The volume of tobacco processed would fall with the loss of exports and cutbacks in production. Packing costs would rise, and the smaller, least-mechanized packers would be the first to go under. Larger mechanized packers would reduce employment in order to control variable costs.

Q Which product and geographic markets has the U.S. failed to penetrate and why?

A GRAINS. The People's Republic of China (PRC) represents the major market for grain that the United States has not been able to penetrate on a regular basis. In 1977/78, China is expected to import nearly 10 million tons of grain from Canada, Australia, and Argentina.

The PRC has traditionally looked to these three countries for its wheat needs and only when they were unable to meet its needs has it considered U.S. wheat. We are hopeful, however, that the PRC will diversify its wheat purchases more in the future and include U.S. wheat.

(Editor's note: The PRC recently purchased 1 million tons of U.S. wheat, mainly for delivery in 1978/79—the first such purchase since 1974.)

But there are some obstacles. The Chinese want contracts guaranteeing certain specifications at unloading rather than at loading; this is very unconventional for the United States. The Chinese have deferred payment arrangements with other countries, while the United States is presently unable to offer this.

OILSEEDS AND PRODUCTS. On balance, U.S. oilseeds and oilseed products penetrated a wide spectrum of the world markets. However, some markets are limited. Examples of these are:

- **PRC.** Access for various oilseeds and products appears to be limited. Just recently, however, the PRC has bought U.S. vegetable oil.
- **Spain.** A marketing quota on soybean consumption limits utilization of soybean oil within Spain and frees the oil for export, thus reducing U.S. share of the world vegetable oil market. Spain, although a traditional buyer of U.S. soybeans, limits licensing of new crushing plants, which in turn limits Spain's import demand for soybeans.
- **USSR.** Because of the centralized decisionmaking process and the absence of a free market mechanism, the Government is the sole buyer of the USSR's needs from foreign suppliers. Soviet buying intentions with regard to oilseeds are difficult to predict, although some guess can be made based on historical purchase patterns and crop conditions. Unlike the case with grains, there is currently no agreement between the United States and the Soviet Union that defines guidelines for Soviet soybean purchases from the United States.
- **Japan.** The existence of an import quota on peanuts on the order of 50,000-70,000 metric tons annually limits U.S. exports of this product to Japan.

An export embargo and longshoremen strikes have shaken the confidence of some major U.S. markets (e.g., Japan and the Netherlands) in U.S. ability to be a reliable supplier. They have consequently diversified their sources of supply. Some countries, like West Germany and Iran, have been ininterested in forming joint ventures with Brazil in processing soybeans. These events have increased Brazil's share of the world market at the expense of the United States.

COTTON. The United States has largely failed to penetrate East European markets for cotton, although sales are made to Poland and Romania. The primacy of planned trading arrangements that these nations have with the Soviet Union, and the absence of most-favored-nation status, are obstacles in these markets. Where U.S. sales have occurred, they have been aided by credit from the Commodity Credit Corporation (CCC).

TOBACCO. Exports of unmanufactured tobacco and products have a growing potential, but this potential has not fully developed in the following regions: Most Eastern Europe (except Poland and Yugoslavia), the Soviet Union, the PRC, and certain areas of both Latin America and Africa.

In Eastern Europe and the Soviet Union, the principal reason appears to be the failure to grant most-favored-nation (MFN) status by the United States to the countries in question. Without MFN treatment these nations face higher U.S. duties; two-way trade in unmanufactured tobacco and products consequently has not developed. Moreover, these countries have not yet allocated the hard currency necessary to import high-quality U.S. tobacco leaf and products.

In the Latin American and African markets, many of the countries are either self-sufficient in tobacco, or they have developed as competitors to the United States in the tobacco export trade. Also, there are significant trade restrictions existing in these areas as well as a lack of foreign exchange.

CITRUS JUICES. U.S. penetration of the Japanese citrus juice market has been severely limited by very small quotas for orange and grapefruit juices. Such quotas have been maintained for the protection of the mandarin orange (satsuma) industry in Japan, which has expanded appreciably over the years. Although the recent negotiations between these two countries did result in an enlargement of the annual quota, its size is still far too small to fully accommodate Japan's market potential. U.S. negotiators and industry spokesmen have repeatedly urged that the Japanese open their market to imports.

APPLES AND OTHER HORTICULTURAL PRODUCTS. The Republic of China (Taiwan) is a market that sorely restricts U.S. horticultural products through both tariff and nontariff barriers. Apples provide an excellent example. The basic import duty is 78 percent ad valorem. Furthermore, the procurement of apples is limited to only one importer, the Central Trust of China. Once the procurement is completed, the Central Trust auctions the ap-

Fruit sells at fantastically high prices to the consumer; prices of $1.25 to $1.50 per apple are common.

BEEF. Next to the United States, the European Community is the world's largest market for imported beef. However, U.S. shipments of beef to it remain limited. The EC maintains a system of duties and variable levies that tightly control the Community's beef imports. In addition, EC consumers usually do not have an established preference for grain-fed beef.

As a result, most of the beef imported by the EC is from countries such as Argentina, which can supply grass-fed beef at much lower prices.

The United States has not been able to export any beef to the USSR, which has become a large beef importer in recent years. The USSR purchases primarily lower quality frozen boneless beef.

Although Japan is the largest U.S. market for beef exports—with shipments valued at $52.5 million in 1977—it maintains strict quotas and very high beef prices to support its domestic industry. □

Foreign Agriculture

Vol. XVI No. 21 May 22, 1978

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The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through June 30, 1979. Yearly subscription rate: $38.00 domestic, $48.00 foreign; single copies 80 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

Caracas Agricultural Fair Brings Farm to the City

In an effort to bring Venezuela's agriculture to people in urban areas, the Second Agricultural Fair of Caracas, April 17-22, displayed the country's progress in crop and livestock production. Exhibits of major domestic commodities, livestock, and farm equipment were on view. Clockwise from near right: Displays of fresh fruit draw the attention of some visitors; two children examining displays of Venezuelan rice and corn; James E. Ross, U.S. Agricultural Attaché, Caracas, examines a cacao pod from one of many booths; and a livestock judging inside the Poliedro—the site of the agricultural fair.